

## Message Text

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73

ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

COME-00 EB-07 LAB-04 SIL-01 SAJ-01 TRSE-00 /085 W

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R 181445Z AUG 76

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 3117

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

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AMEMBASSY STOCKHOLM

USDEL MTN GENEVA

USMISSION OECD PARIS

USMISSION USUN NY

USMISSION NATO

USMISSION EC BRUSSELS

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EO 11652: N/A

TAGS: PINT ECIN DA

SUBJ: DEBATE OPENS ON GOVERNMENT ECONOMIC PROPOSALS

REF: COPENHAGEN 2698

SUMMARY: WHETHER DENMARK WILL BE FORCED TO ELECTIONS OVER  
THE GOVERNMENT'S ECONOMIC PACKAGE NOW DEPENDS ON WHETHER  
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AGREEMENT CAN BE REACHED BETWEEN THE SOCIAL DEMOCRATS AND

THEIR ALLIES, ON THE ONE HAND, AND THE CONSERVATIVES ON THE OTHER. THE CRUNCH VOTE MAY COME AS EARLY AS LATE TONIGHT. END SUMMARY.

1) IN A SESSION THAT EXTENDED THROUGHOUT MOST OF LAST NIGHT, AUGUST 17, THE FOLKETING DEBATED THE PACKAGE OF PROPOSALS SUBMITTED BY ANKER JORGENSEN'S SOCIAL DEMOCRATIC GOVERNMENT TO REMEDY DENMARK'S ECONOMIC ILLS. IN GENERAL, THE PACKAGE IS DESIGNED TO DAMPEN DANISH CONSUMPTION AND REDUCE THE BALANCE OF PAYMENTS DEFICIT AS WELL AS GOVERNMENT EXPENDITURES. THE PROPOSALS FOLLOWED THOSE OUTLINED IN REFTEL BUT ARE SUBJECT TO AMENDMENT AND COMPROMISE WITH THE CRUNCH VOTE EXPECTED AS EARLY AS LATE TONIGHT.

2) IN THE PRESENT SITUATION IT APPEARS THAT THE POSITION OF THE NINE-MEMBER CONSERVATIVE PARTY WILL DECIDE WHETHER ELECTIONS WILL BE CALLED. CONTRARY TO SOME EARLIER EXPECTATIONS, THE SPOKESMEN FOR THE THREE PARTIES OF THE FAR LEFT (THE COMMUNISTS, THE LEFT SOCIALISTS AND THE SOCIALIST PEOPLE'S PARTY) HAVE MADE IT CLEAR THAT THEY WILL NOT ABSTAIN AND WILL VOTE AGAINST THE GOVERNMENT, PRIMARILY BECAUSE OF THE PACKAGE'S "INTERFERENCE" IN THE UPCOMING LABOR NEGOTIATIONS BY WAY OF THE PROPOSED SIX PERCENT LIMITATION ON WAGE INCREASES. LIBERAL LEADER POUL HARKLING CONTINUES HIS FLAT OPPOSITION TO GOVERNMENT PROPOSALS. THE SOCIAL DEMOCRATS AND THEIR THREE ALLIES (THE CENTER DEMOCRATS, THE RADICALS AND THE CHRISTIANS) TOGETHER WITH AN INDEPENDENT, HANS JORGEN LEMBOURN, MAKE UP 81, VOTES OUT OF 90 NEEDED FOR A MAJORITY.

3) CONSERVATIVE LEADER POUL SCHLUTER HAS DECLARED THAT HE IS WILLING TO SUPPORT THE GOVERNMENT IF SIX CONDITIONS ARE MET. THE MOST IMPORTANT ARE LARGER BUDGET CUTS OF IMMEDIATE EFFECT AND THE OFFSETTING OF DENIED COST-OF-LIVING WAGE INCREASES BY LOWERED TAXATION. PRIME MINISTER JORGENSEN HAS DEMURRED TO THREE CONDITIONS BUT HAS INDICATED HIS WILLINGNESS TO CONTINUE DISCUSSIONS WITH SCHLUTER TODAY ON THE FRINGES OF THE FOLKETING

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SESSION WHICH RESUMED THIS MORNING.

4) THE EMPLOYERS ASSOCIATION, WHICH IS ONE OF THE NATURAL CONSTITUENCIES OF THE CONSERVATIVES, HAS DECLARED THE GOVERNMENT'S PROPOSALS ACCEPTABLE. ON THE OTHER HAND, TRADE UNION FEDERATION (LO) PRESIDENT THOMAS NIELSEN HAS SHARPENED HIS ATTACKS ON THE PROPOSALS PUT FORWARD BY HIS FELLOW SOCIAL DEMOCRATS PARTICULARLY

AS THEY LIMIT WAGE INCREASES. AS A LEADING SOCIAL  
DEMOCRAT REMARKED TO POLCOUNS, NIELSEN MUST TAKE THIS  
POSTURE TO PROTECT HIS LEFT FLANK.  
LUKENS

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